

Kyle Cooper, (713) 248-3009, [Kyle.Cooper@iafadvisors.com](mailto:Kyle.Cooper@iafadvisors.com)

*Week Ending January 20, 2017*

**Please contact me to review a joint RBN Energy daily publication detailing natural gas fundamentals.**

**Price Action:** The February contract fell 21.5 cents (6.3%) to \$3.204 on a 32.4 cent range.

**Price Outlook:** **Despite a very large (243) bcf withdrawal that is the 13th largest on record, prices fell as weather forecasts remain bearish. This large draw was temperatures that were the 120th coldest on record. That highlights a very bullish underlying supply/demand balance. However, since mid-September, over 471 bcf of demand has been lost compared to normal temperatures based on our proprietary temperature index. Mother Nature has been very bearish overall, despite a few brief cold shots. CFTC data indicated a sizable increase in the managed money net long position as longs added and shorts liquidated. Total open interest rose to 3.662 million as of January 17. Aggregated CME futures open interest fell to 1.167 million as of January 20.**

**Weekly Storage:** US working gas storage for the week ending January 13 indicated a net withdrawal of (243) bcf that dropped total working gas inventories to 3,160 bcf. Current inventories fall (315) bcf (9.1%) below last year and (8) bcf (0.3%) below the 5-year average.

**Storage Outlook:** **Our EIA weekly storage estimate was mathematically 1 bcf larger than the actual EIA report and is back within our tolerance range. The 5-week summation of our error fell to 15 bcf and is closer to our tolerance. The EIA has reported a net implied flow of (889) bcf compared to our estimated (874) bcf flow. Our estimation for early April inventories is 1,613 bcf.**

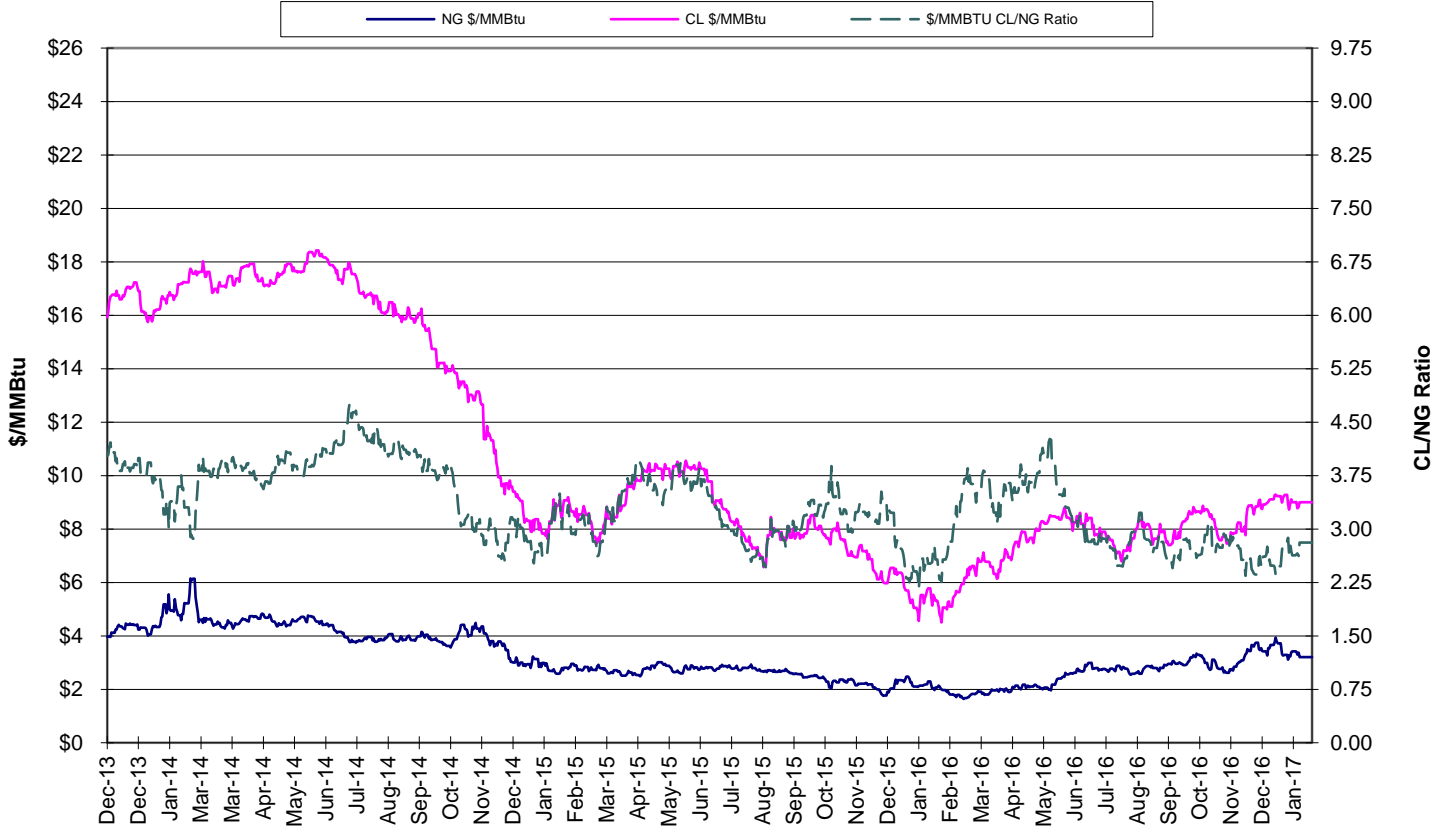
**Supply Trends:** Total supply fell (0.5) bcf/d to 68.9 bcf/d. US production fell. All other components were higher. The US Baker Hughes rig count rose 35 as both oil and natural gas activity rose. The total US rig count now stands at 694. The Canadian rig count rose 27 to 342. Thus, the total North American rig count rose 62 to 1,036 and now exceeds last year by 149. **The higher efficiency US horizontal rig count rose 22 to 559 and rises 59 above last year. The EIA Drilling Productivity Report suggests an increase in output in February from the 7 Shale regions covered in the roper. This is the 2nd consecutive projected increase.**

**Demand Trends:** Total demand rose +14.3 bcf/d to 103.4 bcf/d. R&C lead demand higher with all sectors up. Electricity demand fell 1,393 gigawatt-hrs to 80,521 which exceeds last year by 871 (1.1%) and the 5-year average by 1,704 (2.2%).

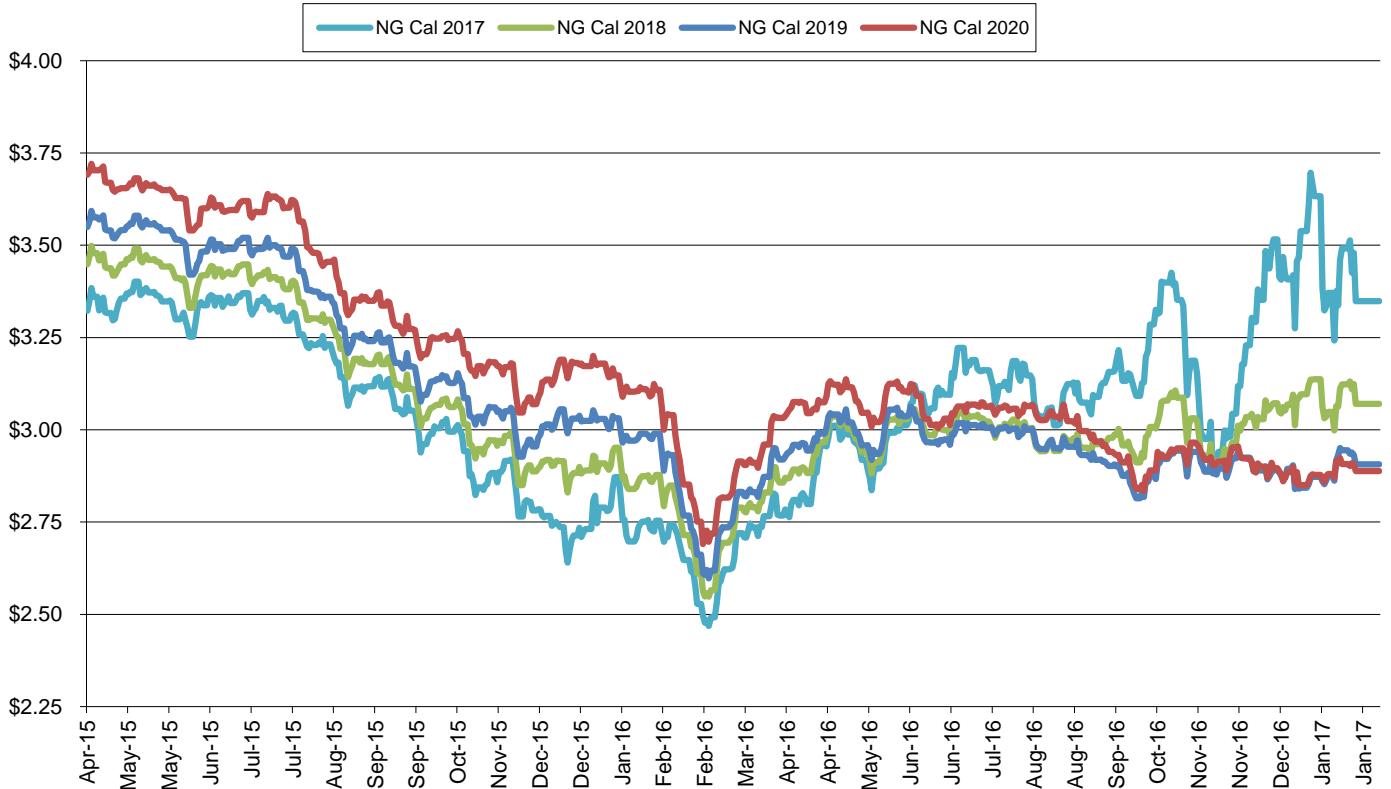
**Other Factors:** Nuclear generation rose 353 MW in the reference week to 93,329 MW. This is 835 MW lower than last year and 1,393 lower than the 5-year average. Recent output is near 94,500 MW.

- The 2016/17 heating season continues. With a forecast through February 3, the 2016/17 total heating index is at 1,534 compared to 1,489 for 2015/16, 1,814 for 2014/15, 2,050 for 2013/14, 1,750 for 2012/13 and 1,715 for 2011/12.

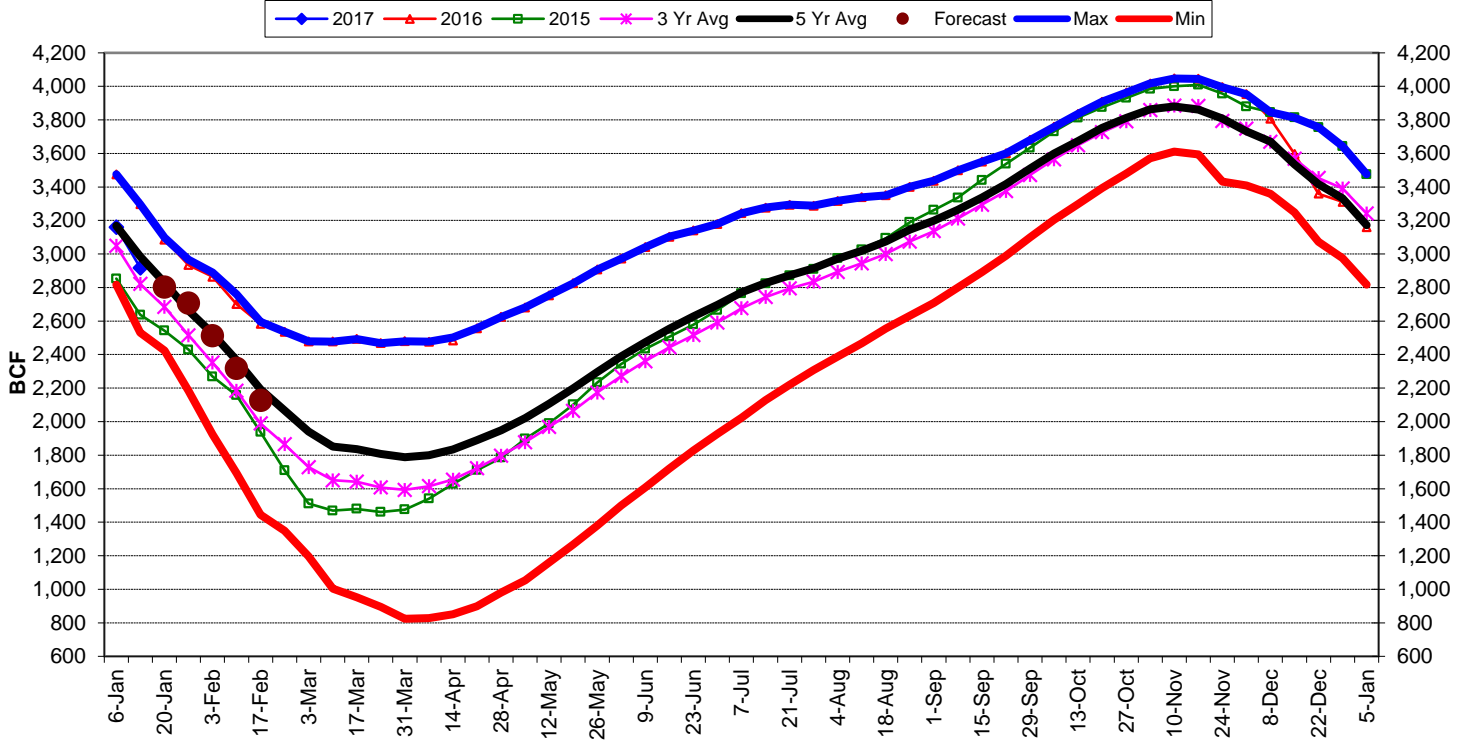
## \$/MMBtu Ratio of NYMEX CL and NG



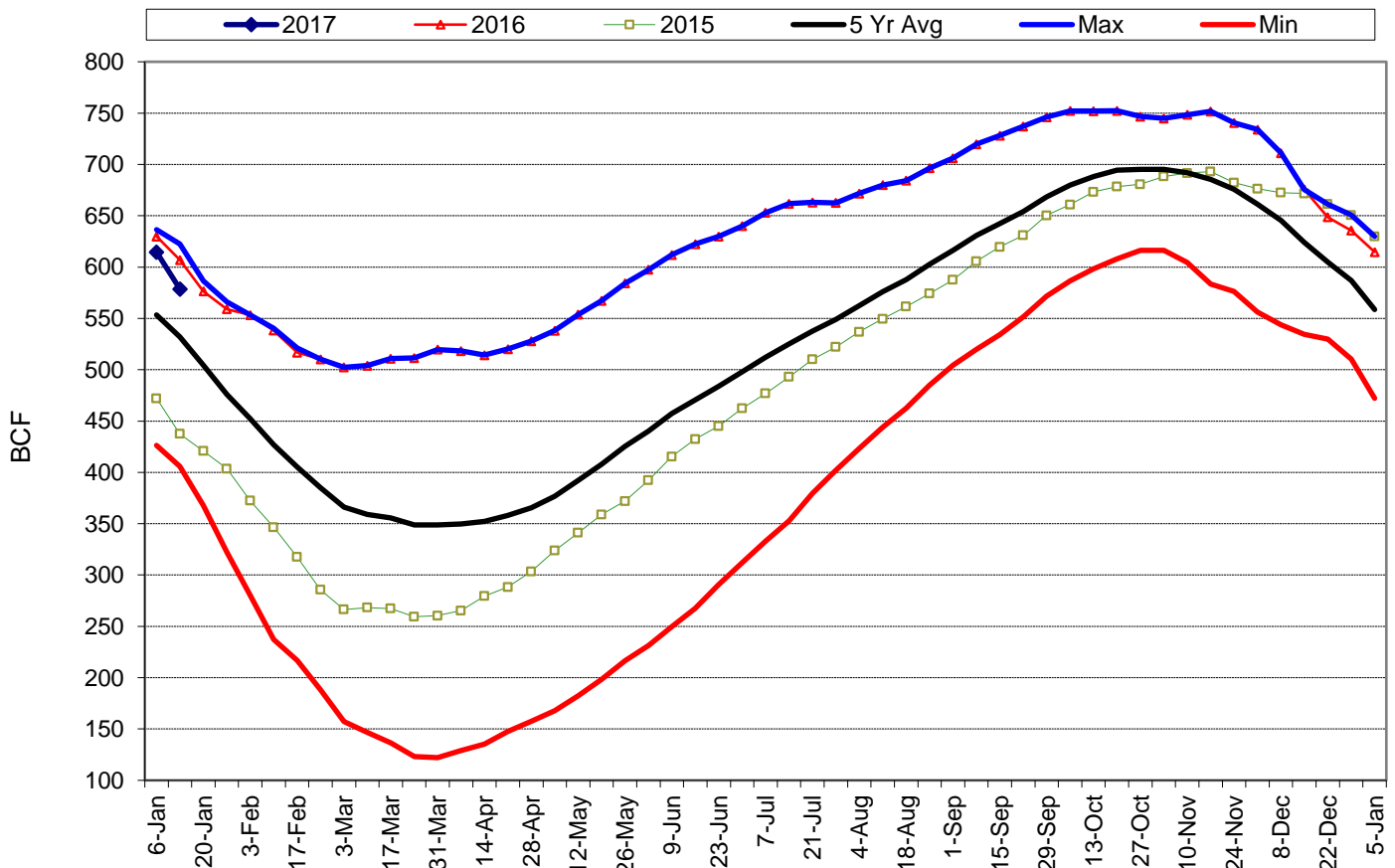
## NYMEX Calendar Strips



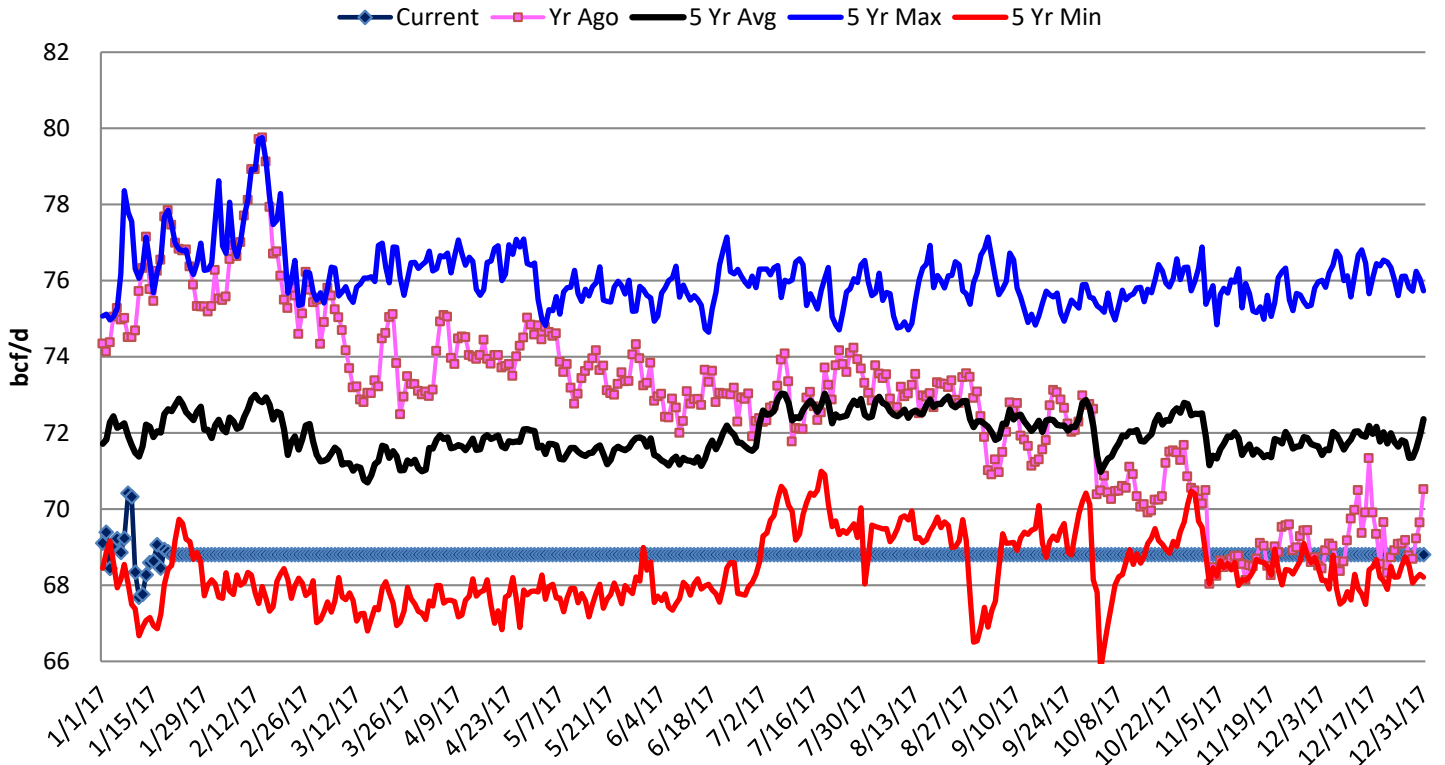
## US Total Working Gas Storage - Source - EIA



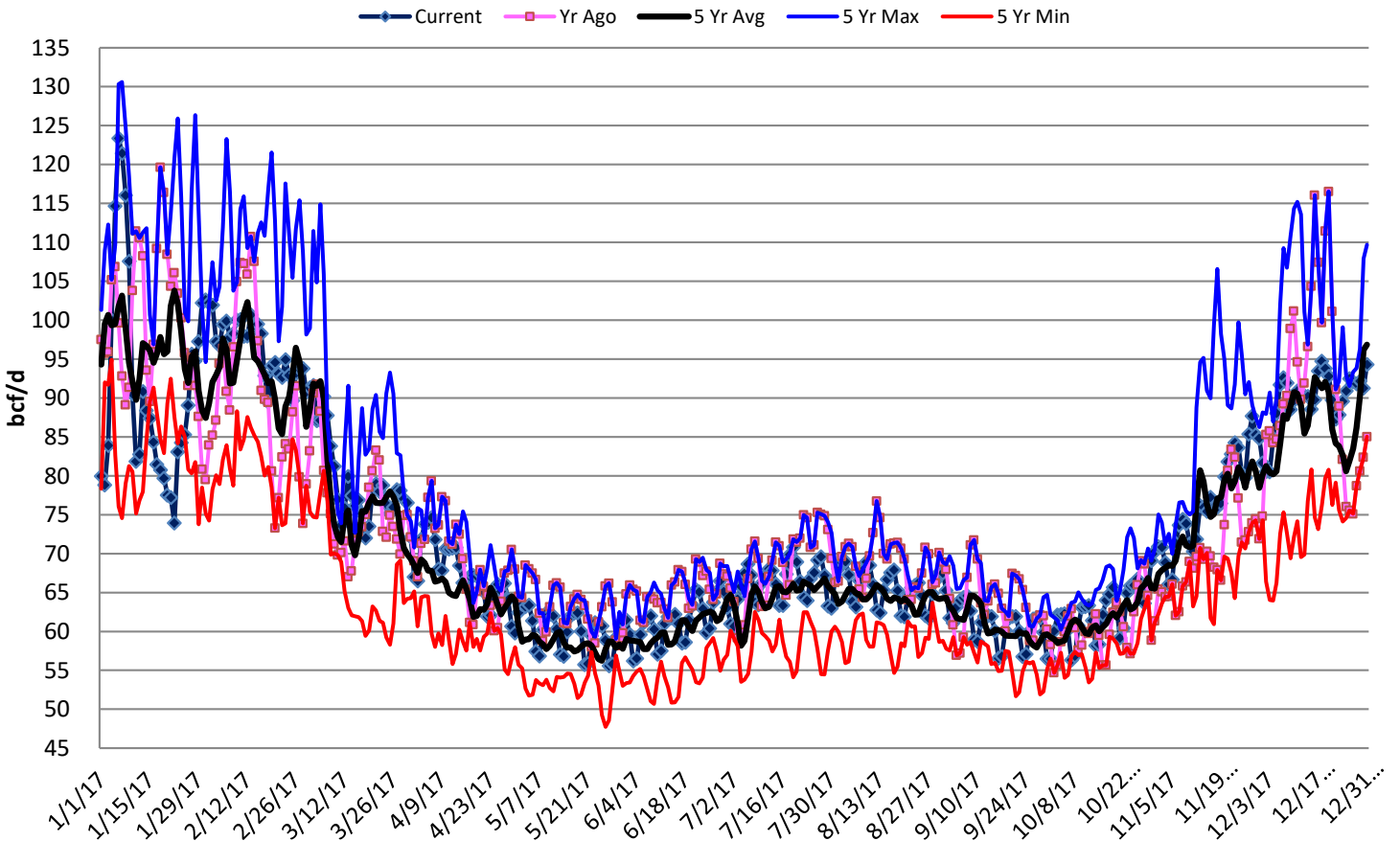
## Canadian Working Gas Storage - Enerdata



## US Total Supply



## US Total Demand



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**ADDITIONAL INFORMATION AVAILABLE UPON REQUEST**

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